

Section A.

Students are required to answer all questions in this section.

1. In a sales ledger control the bad debt written off should be shown in the account
 - A. As a debit
 - B. As a credit
 - C. Both as a debit and as a credit
 - D. as a balance carried down

2. If cost price is \$ 90 and selling price is \$ 120, then
 - (i) Mark up is 25%
 - (ii) Margin is $33\frac{1}{3}$ per cent
 - (iii) Margin is 25% percent
 - (iv) Mark up is $33\frac{1}{3}$ percent
 - A. and (ii)
 - B. and (iii)
 - C. (iii) and (iv)
 - D. (ii) and (iv)

3. If creditors at 1 January 2003 were \$2 500, creditors at 31 December 2003 \$4 200 and payments to creditors \$32 000, then purchases for 2003 are.
 - A. \$30 300
 - B. \$33 700
 - C. \$31 600
 - D. \$38 700

4. Given opening debtors of \$11 500, sales \$48 000 and receipt from debtors \$45 000, the closing debtors should total.
 - A. \$8 500
 - B. \$14 500
 - C. \$83 500
 - D. \$18 500

5. Given cost of goods sold \$16 000 and margin of 20%, then sales figure is
 - A. \$20 160
 - B. \$13 600
 - C. \$21 000
 - D. \$20 000

6. A club's income and expenditure account performs the same function as a firm's
- A. Petty cash book
 - B. Trading, profit and loss account
 - C. Cash and bank accounts
 - D. Balance
7. A business carried on by two or more persons with a view to sharing profits is called a
- A. Private company
 - B. Public limited company
 - C. Partnership
 - D. Proprietorship
8. In converting from single entry to double entry, the source from which details will be extracted is the
- A. General ledger
 - B. Subsidiary books
 - C. Statement of affairs
 - D. Bank reconciliation statement
9. A limited liability company is owned by
- A. The state
 - B. Private shareholders
 - C. The public at large
 - D. A limited number of partners
10. The maximum capital a company is allowed to let the public subscribe for is called
- A. Authorized capital
 - B. Issued capital
 - C. Subscribed capital
 - D. Paid up capital

11. Mr. Allen invested \$20 000, Mr. Brown invested \$5 000 and Mr. Cable invested \$5 00. The loss sustained during the year was \$1 000. The partnership agreement is silent on the item of losses. Although profits are to split $\frac{2}{5}$, $\frac{2}{5}$, $\frac{1}{5}$ respectively. How much of the loss must be borne by Mr. Cable?
- A. \$400
 - B. \$300
 - C. \$240
 - D. \$200
12. When a company issues new shares at a price above face value, the increase is
- A. Gross profit
 - B. Net profit
 - C. Capital profit
 - D. Normal profit
13. On January 1, 2006 Martin's debit balance on Current Account was \$2 500. At the end of the year Martin obtained \$2 000 as his share of profits from a partnership. The balance of \$500 in his Current Account represents
- A. A reduction in capital introduced
 - B. An increased in capital employed
 - C. A trade debtor to the business
 - D. A trade creditor to the business
14. In a limited company which of the following are shown in the appropriation account.
- (i) Debenture interest
 - (ii) Proposed dividend
 - (iii) proposed dividend
 - (iv) Directors salary
- A. and (ii)
 - B. (ii) and (iii)
 - C. and (iv)
 - D. (ii) and (iv).

15. The reward of profit received by a shareholder in a limited company is called
- A. Commission
 - B. Interest
 - C. Drawings
 - D. Dividends
16. The statement of cash flows
- A. Must be prepared on a daily basis.
 - B. Summarizes the operating, financing, and investing activities of an entity.
 - C. Is another name for the income statement.
 - D. Is a special section of the income statement.
17. The primary purpose of the statement of cash flows is to
- A. Provide information about the investing and financing activities during a period.
 - B. Prove that revenues exceed expenses if there is a net income.
 - C. Provide information about the cash receipts and cash payments during a period.
 - D. facilitate banking relationships
18. If a company reports a net loss, it
- A. May still have a net increase in cash.
 - B. will not be able to pay cash dividends.
 - C. will not be able to get a loan.
 - D. will not be able to make capital expenditures.
19. The acquisition of land by issuing common stock is
- A. a noncash transaction that is not reported in the body of a statement of cash flows.
 - B. a cash transaction and would be reported in the body of a statement of cash flows.
 - C. a noncash transaction and would be reported in the body of a statement of cash
 - D. only reported if the statement of cash flows is prepared using the direct method.
20. The order of presentation of activities on the statement of cash flows is
- A. operating, investing, and financing.
 - B. operating, financing, and investing.
 - C. financing, operating, and investing.
 - D. financing, investing, and operating.
21. Manufacturing overhead includes:
- A. Factory rent and direct labour
 - B. Direct materials and direct labour
 - C. Indirect materials and direct materials
 - D. Indirect labour and indirect materials